

Central Intelligence Agency



Washington, D.C. 20505

OLL: 85-2433/5

6 SEP 1985

The Honorable William V. Roth, Jr.  
Chairman  
Committee on Governmental Affairs  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

As your Committee begins consideration of S. 1527, the Civil Service Pension Reform Act, I want to thank you for your invitation to submit written comments on this measure. We have under consideration at OMB a legislative proposal which would permit the Central Intelligence Agency to administer a retirement program specially designed to meet the security and management needs of this Agency. Until OMB completes its deliberations, I believe it is premature to discuss this proposal. Therefore, with all due respect, I must decline your invitation to submit a statement for the record on S. 1527.

I do, however, take this opportunity to commend you and Senator Stevens for the difficult task you have undertaken to reform the Federal retirement system. As the head of an Executive Agency, I am well aware of the great significance a sound retirement system has to every Federal agency's management system. In the particular case of CIA, the specifics of a retirement system weigh heavily on our ability to recruit and retain top notch people, on our ability to maintain a high degree of security, and on our ability to manage our personnel with the flexibility and effectiveness necessary to carry out our complex and difficult missions.

I would hope that the subject of a retirement program for the Central Intelligence Agency can be a matter of discussion between us at an early opportunity. Until that time, I ask that you keep us in mind as you proceed through your hearings on S. 1527. With best wishes.

Sincerely,

/s/ William J. Casey

William J. Casey  
Director of Central Intelligence

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DD/OLL:ELS:mlg (6 September 1985)

POTENTIAL QUESTIONS FROM  
HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE  
AT 25 APRIL HEARING

Question:

How many civilian employees are in your organization, and how many are covered by Social Security.

Answer:

Although we are getting into some areas which are classified, I can say that about 9% of our population is now under Social Security.

Question:

What are you advising the new hires and has there been any impact on your recruitment effort.

Answer:

We are generally advising new hires that while their retirement system is as yet undefined, every effort is being made to provide them with a system which will provide an adequate retirement benefit - one that is as close as possible to the existing systems in terms of overall benefits. We don't have any hard data to say specifically that employees are turning us down because of this issue. However, we do get a lot of questions about what is happening on retirement with expression of concern. It is definitely an issue of high interest to perspective employees.

Question:

Has the retirement issue had any impact on morale within the Agency.

Answer:

Employees are keenly aware of what is taking place on retirement and are following closely the developments. There have been many expressions by employees that if significant changes are made they would have to rethink having a career with the Agency. We have also had a significant number of inquiries for annuity estimates from those eligible to retire. We thus have a potential for losing not only experienced people but those who would be developed and groomed in the future for senior positions.

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I also believe most feel there is a moral contract between themselves and the government to provide benefits available at the time of their employment and which influenced their decision to come to work for the government. They feel changes would be a breach of that contract. This is not a morale issue, but one of general uncertainty that if changes are made now, will there be more the next year and the year after that and so on.

Question:

What has been your recent experience with Voluntary Retirements? If it has increased, is this because of fears of changes to the Retirement Systems.

Answer:

Voluntary Retirements have been higher, but as yet not significantly so. I have nothing to verify that this is the result of pending changes, but no doubt the concern is there and could be a contributing factor.

UNIQUE EMPLOYMENT CATEGORIES

Question:

How should employees under unique categories (law enforcement, fire fighters, air traffic controllers, and the foreign service) be treated under the new supplemental plan?

Response:

The unique categories cited are provided with special retirement provisions and coverage based upon Congressional recognition of the unique nature of the missions and functions of the organizations involved and circumstances of employee service in these types of special activities. Supplemental plans must provide the same special provisions for these unique categories as well as the Agency.

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AT 25 APRIL HEARING

UNIQUE EMPLOYMENT CATEGORIES

The CIA's mission imposes unique demands and employment circumstances on all Agency employees, liable for service anywhere in the world as Agency requirements dictate. In recognition of these conditions and the work force management needs of the Agency, the CIA needs special provisions in future supplemental retirement system coverages specifically tailored to our future CIARDS employees and CSRS-type personnel.

Question:

Should current age and service requirements be continued for these unique systems.

Response:

Unless these unique organizations confirm that changes are needed the current eligibilities should be retained since needs of these services must prevail. The fact that new employees are required to have Social Security by reason of the happenstance of the EOD date has no relevance to the needs of the service.

Question:

If early retirement is continued should we somehow compensate early retirees for the fact that Social Security benefits will not begin until age 62?

Response:

Yes. Early retirement must be accompanied by an adequate annuity to sustain such retirements. If benefit levels are to be maintained, a supplement must be provided until Social Security benefits become available.

Question:

Is there a need for mandatory retirement provisions?

Response:

Yes but with criteria and authority for specific exceptions when required by organizational requirements. Mandatory retirement needs should be established where the nature of the organizational mission and specific objectives require availability of an employee pool of a specific average age

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range. These factors might include such things as physical and psychological demands, maintenance of currency with state of the art or technical knowledge and skills, ability to meet medical standards for assignment to certain locales, etc. The CIARDS requires - based on experiential data - a mandatory retirement age of age 60 . CIA does not, because of existing voluntary retirement ages, anticipate the need for a mandatory retirement age for our career non-CIARDS (CSRS) employees since the current patterns of voluntary retirement ages are appropriate to meeting Agency work force requirements.

SOCIAL SECURITY "TILT"

Question:

How much, if any, of the Social Security tilt should be offset by the new supplemental plan?

Response:

We see no justification for totally offsetting the Social Security "tilt". However, to provide appropriate annuity levels to retirees, some offset may be required.

VESTING

Question:

What should be the vesting requirement under the new supplemental plan?

Response:

The current 5 year vesting has proven to be sufficient to influence employees to stay on-board with CIA for the desired full career needed.

The portability features of Social Security and defined contribution plans would encourage greater turnover. A high turnover rate creates security problems through greater exposure to classified information to a larger number of people and would put extreme pressure on our ability to recruit, train, and maintain needed expertise in the intelligence profession.

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COST

Question:

What should the normal cost for the supplemental system be?

Response:

In order to recruit and maintain the type and quality of both the CIA overseas and domestic employee cadres required to effectively fulfill the Agency's unique intelligence mission, CIA's current retirement systems have and must continue to serve as critical management tools in maintaining the characteristics of the Agency's total work force.

The cost of the new coverage therefore should be based on the cost flowing from the provisions required to maintain the full effectiveness of the system in serving our organizational needs.

EMPLOYEE CONTRIBUTIONS

Question:

Should employees under the new supplemental plan be required to pay contributions, and, if so, what level of contribution should be required?

Response:

We support a supplemental plan with an annuity base established on the defined benefit concept with essentially the same early retirement eligibility and benefit provisions now in the current systems. We believe its important and equitable that new employees contribute to the retirement plan. The aggregate contributions to Social Security and the retirement plan should equate to the amounts contributed by employees covered by the current systems.

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FUNDING & FINANCING

Question:

If the supplemental system is fully funded, should the funding come from Agency appropriations or from the Treasury?

Response:

The present financing system which blends an organization's appropriations to cover specific costs and Treasury funds for others appears reasonable and we have no recommendations for changing that system.